



# Apeejay Surrendra Park Hotels Limited (ASPHL)

## Q1 FY26 Earnings Conference Call Transcript August 11, 2025

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**Moderator:** Ladies and gentlemen, good day, and welcome to the earnings conference call of Apeejay Surrendra Park Hotels Limited.

As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Devrishi Singh of CDR India. Thank you, and over to you, sir.

**Devrishi Singh:** Thank you, Sagar. Good afternoon, everyone, and thank you for joining us on Apeejay Surrendra Park Hotels Q1 FY26 earnings conference call. We have with us Mr. Priya Paul – Chairperson, Mr. Vijay Dewan – Managing Director, Mr. Atul Khosla – SVP (Finance) and CFO of the Company; and Mr. Rabindra Basu – Director, Investor Relations. We will begin the call with opening remarks from the management, followed by an interactive Q&A session.

Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier.

I would now like to invite Ms. Priya Paul to make her opening remarks. Thank you, and over to you, ma'am.

**Priya Paul:** Good afternoon, everyone. On behalf of the Board and management team of Apeejay Surrendra Park Hotels, I extend a very warm welcome to all of you to our Q1 FY26 earnings conference call.

This quarter marks another step forward in our journey of shaping distinctive hospitality experiences and reinforcing our leadership in the boutique, luxury, and upper upscale segments. We have built a portfolio based on our vision of leadership through differentiation, creating brands that resonate strongly with loyal guests across India and beyond.

In Q1, we strengthened our presence in the high-potential leisure destinations by signing an MOU to acquire and manage 4 properties in Goa, Manali, Shimla and Dharamsala. These additions will broaden our geographic reach and enhance our positioning in some of India's most sought-after tourism markets.

Our investment in Mumbai, which was announced earlier, will result in a quick entry into this very important market. Our new projects in EM Bypass, Kolkata, Visakhapatnam, and Pune are progressing well, with key permissions in hand and design work almost complete. We continue to scale our asset-light side of the business across brands from the Zone By The Park, Zone Connect as well as The Park.

The macro backdrop remains supportive, despite a few hiccups in Q1, but India witnesses sustained growth in both leisure and business travel, the supply and demand mismatch continues in the next few years. And in the meantime, infrastructure upgrades, tourism-friendly policies of the Government and rising consumer aspirations are driving demand across the country. These factors, coupled with our strong brand equity and market reach, place us in a position of strength to capitalize on the opportunities ahead.

Looking ahead, our focus will be on executing our pipeline of strategic projects, deepening guest engagement through curated experiences and continuing to innovate across our portfolio. Our team is committed to creating enduring value for all stakeholders by staying true to our vision and mission.

I am delighted by our excellent Q1 performance, delivered by our outstanding team across the country. Innovative food and beverages, industry-leading occupancy at 92% continue to be the cornerstones of our success. None of this would be possible without the continued support from our team, our customers, partners, and shareholders. Thank you all.

I now hand this over to Vijay Dewan, Managing Director of our Company, who will take you through the performance of Q1. Thank you very much.

**Vijay Dewan:**

Thank you, Ms. Paul. Good evening, everyone, and a very warm welcome to all of you. We truly appreciate you joining us on today's earnings call. On behalf of my entire leadership team, I would like to express our heartfelt gratitude for your continued support and belief in our vision. Your confidence continues to energize our journey. And today, we are pleased to share our quarterly performance and meaningful progress on multiple fronts.

We have commenced FY26 on a very strong and encouraging note, and thanks to the dedication and commitment and hard work of our teams, we have delivered an extraordinary and best-ever Q1, setting a strong momentum for the year ahead.

At the operating level, the Company recorded a topline growth of 14% and an EBITDA growth of 16%. We recorded India's highest occupancy of 92% and maintain our leadership in RevPAR in the upper upscale segment.

During the course of the quarter, ARR improved by 13% and RevPAR increased by 12%. Powered by accelerated increase of close to 600 rooms which includes 41% increase in the asset-light side of the model, a nationwide Flurys rollout, we are now set to scale faster, protect and improve our margins and deliver exceptional shareholder value.

Our flagship properties, starting with Calcutta achieved full occupancy of 100%, while Chennai posted 95% and both Navi-Mumbai and Bangalore recorded occupancies of 93%. This performance is a testament to our consistent focus on service excellence, operational efficiencies, differentiated hospitality offerings and customers loyalty.

FY26 will see addition of close to 600 rooms, 411 rooms in the asset category of management contract, 147 rooms in leased category and 31 rooms in the ownership category. Total number of rooms will increase from 35 hotels with 2,394 keys to 50 hotels with 2,983 keys in line with our vision of 50 hotels by 2025. These additions aided by organic growth will lead to sustained high double-digit growth in both revenues and EBITDA.

Our balance sheet is extremely strong with network standing at INR 1,297 crore, ICRA rating remains stable at A+ and with deposits close to INR 70 crore, the liquidity situation in the Company is extremely comfortable.

FY26 will see conclusion of 2 strategic acquisitions, 80 rooms, Zillion Hotels & Resorts at Juhu for 90% stake at INR 206 crore to be concluded within this month and 31 rooms at Cochin at a cost of INR 62 crore to be concluded by the end of September. These 2 strategic acquisitions will strengthen our position, both in business and luxury segments.

Our development plans remain on course. FY26 will see the launch of our EM Bypass Calcutta project in collaboration the with Ambuja Neotia Group. This development structured under a joint development agreement which will see ASPHL receive 55% of the project revenues. The sale of the residential apartments is expected to commence around the Diwali season this year, making the formal kick-off of the development. The total project is expected to generate over INR 600 crore in revenues with our share expected to contribute INR 100 crore per year over the next 3 years. These cash flows will be reinvested into the project, enabling us to efficiently progress towards our goal of completing both the residential and hotel components by April of 2028. With no capital investment beyond our historic land bank, the project is poised to deliver strong ROCE and emerge as a landmark asset in our portfolio.

As you are aware, in the previous financial year, we launched 2 heritage palace properties, The Lotus Palace Chettinad and Ran Baas The Palace at Patiala. To share an update, The Lotus Palace recorded in ARR of close to

INR 12,000 in Q1 of FY26, while Ran Baas achieved an ARR of close to INR 25,000. We expect ARR at Ran Baas to improve further as the property stabilizes.

Our iconic bakery and confectionery brand, Flurys, continues to expand its footprint steadily. As of June 30, 2025, we operate 102 outlets across formats, including flagship, cafes, kiosk, and tea rooms with recent openings in Darjeeling and Gangtok. We plan to accelerate store additions over the remainder of this year and into next, targeting 200 stores by 2027 to coincide with the centenary year of Flurys. The expansion remains a strategic priority for us, aimed at broadening market presence and catering to a diverse customer base, while blending contemporary amenities with rich cultural heritage. In the coming quarters, we will continue to focus on opening high-margin cafe formats and driving store level profitability. We continue to target annual revenues of INR 1 crore for mature outlets, and we are encouraged by the traction achieved across recently launched locations.

Looking ahead, our long-term strategy remains anchored in the 3G framework of growth, governance and green. Sustainability continues to be a core focus area for us with initiatives in water efficiency, carbon reduction and responsible waste management.

As of June 30, 2025, 4 of our hotels are IGBC Green Certified, reflecting steady progress towards industry-leading green standards.

The Company during the course of this year will be spending around INR 15 crore in technology and AI to improve efficiencies and performance. Web check-ins, customer identity, chat bots, AI concierge are all under implementation. Flurys will have a new billing system and a loyalty program as well as self-ordering kiosks. AI based SAP SH4HANA ERP is also under implementation in our company for financial accounting, cost management and better compliances. We continue to invest further in our revenue management system, which now have generative AI to lead the market, and this has been our biggest strength to achieve high ARR and high occupancies.

As we progress through FY26, our business fundamentals remain strong. The development pipeline is advancing well, and our strategic road map is anchored in a prudent capital structure and disciplined execution.

Having delivered sustained double-digit growth in FY25, we are confident of achieving high teen growth in both revenues and EBITDA in the years ahead, backed by resilient demand, improved pricing power, steady portfolio expansion in the premium luxury segment, and continued leadership in the upper upscale segment, we are well placed to capture the opportunities ahead.

Once again, I extend my heartfelt gratitude to our shareholders, customers, team members and business partners for their continued trust and support. Thank you.

I will now request the moderator to open the line for questions and answers.

**Moderator:** We will now begin with the question-and-answer session. Our first question comes from the line of Archana Gude from IDBI Capital.

**Archana Gude:** I have a few questions. Firstly, on Flurys. I think we had given a number for Flurys addition of 50 on an annual basis earlier, and this has come down to 40 outlets as per Q1 presentation. Can you help us understand what has led to lowering this guidance?

**Vijay Dewan:** No, not that we are lowering the guidance. The reason behind this, of course, for this year is to actually move away from kiosk to cafes. And obviously, the investment level has been kept at the same level, because for us the cafes costs more than the kiosk. So, in terms of the spend, in terms of the development, that remains the same, which adds up to 40 as per our planning for this year. So, we will open 40 stores as per the plan this year. And then we plan to open 60 stores in the coming year to reach the 200 marks by 2027, which is the centenary year of Flurys.

**Archana Gude:** So, you are saying, instead of having 50 each year, we will be having 40 this year and maybe 60 next year, right?

**Vijay Dewan:** No. So, what will happen is that the mix of cafes and kiosk is going to change more in favour of the cafes, and this will lead to actually higher revenues for us than by opening just the kiosk. So, this fundamental change has been done to actually improve performance and improve results. Because the cafes are more profitable to us and still keeping the costs within what was budgeted.

**Archana Gude:** And on the sales part, if I look at the Flurys sales this quarter, there's been healthy growth Y-o-Y, led by your higher stores. But when I look at it on a sequential basis, it has gone down by around 6%. So, what has really changed from the last quarter to this quarter?

**Vijay Dewan:** No. The growth in Flurys topline has been 42%. Currently, we have 102 outlets. Most of the outlets, if you will recall opened, towards the quarter 3 and quarter 4, and because of these additions, right now you are seeing 42% growth in topline. But our store-to-store growth that is existing store growth is well above the 11% mark. In most of the stores and some of the tea rooms, the growth is as high as 15%. So, the same-store growth is also very strong, and tea rooms same-store growth is even stronger.

**Archana Gude:** Sir, my question was more on a sequential basis, on Q-o-Q, in terms of the absolute number.

**Vijay Dewan:** So, on Y-on-Y basis, we did INR 16 crore last year. And this year, we have done INR 19 crore, because the quarter 1, again, as you know, in terms of the hospitality business, the hospitality business is very cyclic in nature. The best results come only in quarter 3 and quarter 4 during the festive season.

But on a quarter-to-quarter basis, the growth has been 42% from INR 16 crore to INR 19 crore. And last year, we had done total revenues of INR 64 crore, and this year, with the opening of 40 outlets and organic growth, we expect the revenues at Flurys to be in the range of INR 85 crore to INR 90 crore.

**Atul Khosla:** Q4 and Q1 cannot be compared sequentially. I understand you are saying that the Flurys revenue of INR 16 crore this quarter is almost the same, but the growth will continue to come in. The INR 16 crore for this quarter should be compared with same quarter of last year, not with Q4 FY25. Q3 and Q4 together account for about 70% of Flurys revenue, so they are not comparable with Q1.

**Archana Gude:** Okay, right. You also spoke about the matured Flurys store generating INR 1 crore net sales. So, how many such stores did we have in Q1 FY26, and how do we expect this to pan out, by end of FY26?

**Vijay Dewan:** So, FY26, as I said, we will be reaching about INR 85 crore to INR 90 crore and we should be heading for about INR 70 lakhs to INR 80 lakhs by the end of this year per store. And by next year, we are absolutely confident that all these stores will be in the range of INR 1 crore or INR 1 crore plus. Currently, we are at INR 60 lakhs, last year we were at INR 64 lakhs.

**Archana Gude:** Correct. So, maybe one more on Flurys. When I look at the presentation, we have slightly reduced number of stores from Delhi, Bombay, and Hyderabad, while we have added a couple more locations. So, will we be changing the strategy for these markets, - Delhi, Bombay, Hyderabad? I understand you spoke about changing from kiosk to cafes and that's why the number has lowered. But still, I mean, Bombay has been doing pretty well for us. And what was the thought process behind reducing the number of Flurys stores in Bombay?

**Vijay Dewan:** No. So, first thing is that Flurys has a national rollout plan, which begins now with Delhi. And Delhi, as you know, what is happening is that we are setting up a large commissary. This commissary is likely to be ready by the end of this year or early next year. Once this commissary is ready, we enter the city of Delhi. And in next year, the plan would be to cover the whole of North India.

In the meantime, we are planning to open Flurys outlets wherever we have our existing hotels or from where we can supply from the commissaries, which are in existence at the moment. So, the plan is very robust, and it stays on course to expand very rapidly in North India. And then, of course, it has as an overall basis, a national plan.

- Archana Gude:** Sure, thank you so much.
- Moderator:** Our next question comes from the line of Vaibhav Muley from Yes Securities.
- Vaibhav Muley:** Congratulations on a strong set of numbers. My first question is on our immediate expansion pipeline, which includes 147 leased keys and 31 owned keys. Can you give the breakup of asset-wise expected ARR for these properties?
- Vijay Dewan:** So, for the 600 keys, which we plan to open this year, we plan to open roughly about 141 keys in Q2, 194 keys in Q3 and 254 keys in Q4, and this adds up to total keys of 589. So, we plan to open 14 hotels.
- Typically, in our Zone hotels, the majority of these properties are in Zone by The Park, and our second brand in Zone, which is Zone Connect by The Park which typically enjoys an ARR of INR 4,000 to INR 4,500 at the moment, and we expect properties to be in this range.
- Vaibhav Muley:** So, all the leased properties will be opened under Zone or Zone Connect, that is what you are saying?
- Vijay Dewan:** Yes, this is under our asset-light model of Zone and Zone Connect by The Park.
- Vaibhav Muley:** All right. And what do you think will be the margins for these properties, given the lease rentals will be a part of your expenses? So, what kind of margins do you expect for these properties and their impact on the blended operating margins?
- Atul Khosla:** Post these rental, we expect around 20% to 25% margins. But for the purpose of blended EBITDA, it will be pre-indexed. So, it should contribute about 30% to the EBITDA overall. Of this 30% EBITDA, 10% to 15% will be lease rentals.
- Vaibhav Muley:** All right. So, 30% post index, operating margins for these properties?
- Atul Khosla:** Yes, 30% to 35%.
- Vaibhav Muley:** All right. And secondly, we have given a breakup of the expected ARR for our owned expansion pipeline along with the projected revenue. The ARR projections are materially higher compared to the blended ARR that we have at the Company level. So, what is the reason we are expecting significantly higher ARR, - compared to our current ARR run rate across the metros?
- Vijay Dewan:** So, current properties, as you know, which are 1,101 keys are operating in the upper upscale segment in the boutique category. Of course, these properties are also getting upgraded as we are going along. But the new properties, which is about 1,035 keys are all coming in the premium luxury

category. So, that is why these ARR's are going to be much higher, and they will have a significant impact in improving our margins.

**Vaibhav Muley:** Got it sir. What is the Flurys operating margin for the quarter?

**Atul Khosla:** Flurys has done about 8%, 9% in the margins.

**Vijay Dewan:** Flurys margins are typically in the range...

**Atul Khosla:** Post-IndAS is 2%.

**Vaibhav Muley:** Sorry, I missed the last part.

**Atul Khosla:** 9% is the pre-IndAS and post-IndAS is 2% to 2.5%.

**Vaibhav Muley:** Got it. Understood.

**Moderator:** Our next question comes from the line of Sumant Kumar from Motilal Oswal.

**Sumant Kumar:** Good numbers in a bad quarter, with 10 days business disruptions. My question is regarding the renovation plan we have across hotels. What are the renovation costs for the marquee properties we have for next 2 to 3 years?

**Vijay Dewan:** So, firstly, on an annualized basis, to improve our properties, we have a fixed budget of about INR 50 crore, and we will continue to be on cost to invest INR 50 crore on an annual basis to upgrade our existing properties. We have a cushion considering our very high performance, which is 92% to 94% occupancy. This gives us only a leeway to renovate about 70 to 80 rooms. And we will continue to do that.

That kind of focus will be there to renovate 70 to 80 rooms. This year, we have a similar plan. About 60-odd rooms are getting upgraded in our property in Kolkata. About 19 rooms are getting upgraded in Chennai, and about 14 rooms are getting upgraded in the Visakhapatnam.

**Moderator:** Our next question comes from the line of Saket Mehrotra from Tusk Investments.

**Saket Mehrotra:** Congratulations on a great set of numbers. My first question is can we get some sense on what the mix of revenue from management contracts was for the quarter? And how do we see this scaling up for the next 2 years?

**Vijay Dewan:** Last year, we had done INR 19 crore on a YTD basis...

**Atul Khosla:** And this quarter, we have done INR 4 crore from management contracts. Since we are signing more contracts, we expect this year to close at over INR 20 crore from the management contract division.

- Saket Mehrotra:** Okay. And the growth plans that we have talked about, I mean, we are on track to achieve them as per the schedule, right?
- Vijay Dewan:** Absolutely, the Company is absolutely focused in delivering the guidance, which it has provided for. We had given a very strong guidance, and we remain committed to achieving that guidance.
- Atul Khosla:** So, we are going to do INR 20 crore and with the addition of this, which we are signing, that should contribute another INR 4 crore to INR 5 crore. So, we will end up at INR 25 crore, expected from the management contract division, including INR 5 crore in H2.
- Saket Mehrotra:** Okay. And Mr. Dewan, in your opening comment, you mentioned the EM Bypass project would generate about INR 600 crore of cash flows, where you will be getting close to INR 100 crore a year for 3 years. So, when are you expecting the flow of this to start? Is it this financial year or from the next year?
- Vijay Dewan:** This year, the way the residences sell, as you know, generally, in the first year, you take about 10% as the deposit fees. So, expecting our share will be around INR 30-odd crore this year, and then it rapidly moves up to INR 100 crore per year.
- Saket Mehrotra:** Understood.
- Moderator:** Our next question comes from the line of Vivek Lodariya from Nirbhay Asset Management.
- Vivek Lodariya:** My first question was, - beyond outlet count growth, could you share the latest average revenue per store for Flurys? Earlier, the timeline was to reach 10 million per store annually, so what is the comment on that?
- Vijay Dewan:** No. So, we did INR 64 crore. So, it is a 2-year process at the moment. We are expecting to cross around 80 lakhs per store and then hit about INR 1 crore per store sometime during the course of next year.
- Vivek Lodariya:** In Q1 FY26, despite a full year plan for 40 new outlets, there was no new opening reported in the quarter. Could you share the main reason for this pause?
- Vijay Dewan:** No. We have opened actually 4 stores at the moment during the course of this quarter. We opened stores in Darjeeling, Gangtok, a store in Bhubaneswar and another store up North in Bengal.
- Also, at the same time, we have actually closed down 4 stores, because this is also part of our strategy that if we fail in a store, we kill that store fast to ensure that our margins remain the best. So, 3 to 4 stores have been actually closed in West Bengal. So, it looks that the number has remained the same, but it is not the case.

Flurys expansion plan continues to be of opening and being present across all India. So, you will see larger openings very soon, and particularly in quarter 3 and quarter 4 as we come to launch our new commissary in Delhi.

**Vivek Lodariya:** Okay. So, what was the key reason for those closures?

**Vijay Dewan:** There have been low footfalls, and it appeared that we could start losing money in those stores. So, based on that, it will always be the plan that inefficient stores will have to close down. So, as we go along, there would always be in the range of 3% to 4% store closures will always be there. And then, of course, the expansion plan will continue as planned.

**Vivek Lodariya:** So, those stores were making EBITDA loss?

**Vijay Dewan:** You can't say that we are very careful about it. We do not want a store to go into an EBITDA loss situation. But if our analysis shows that the store is losing ground and then we tend to close it before it starts losing money.

**Vivek Lodariya:** So, till FY27, we are committed for 200 stores?

**Vijay Dewan:** Yes. We are also committed not only to 200 stores by FY27. We plan to open 350 to 400 stores by FY30, that has been our plan for Flurys, and we are well on course to deliver that.

**Vivek Lodariya:** This plan was very aggressive, what's your thought on that?

**Vijay Dewan:** No. But if you see our competitors also, they also have similar plans. In last year, Starbucks has been able to open about 60 stores, and there is no reason that we will not be able to open a similar number of stores, which is in the range of 40. So, this is a very fast-growing industry. And we will be able to keep pace with our competitors.

**Atul Khosla:** Our execution speed will further increase once the commissary in Delhi is opened, as we have already mentioned, that commissary can supply all of North India. So, that's why it's 40-60, once that's open, then it will increase.

**Vivek Lodariya:** So, how do we finance these new store openings, via debt or internal accruals?

**Atul Khosla:** Flurys expansion is mainly through internal accruals.

**Vivek Lodariya:** Okay, thanks.

**Vijay Dewan:** So, as we explained in the last investor call also, our total capital outlay over the next 5 years is about INR 1,700 crore. And during the course of this year, we plan to spend roughly about INR 300-odd crore. In terms of the acquisition as well as the development plans of Flurys as well as internal development, IT, so in total, we plan to spend INR 300 crore this year.

And overall, over the 5-year period, we plan to spend about INR 1,700 crore and INR 300 crore, of course, we get back from the sale of the apartments. So, net expansion plan would be around INR 1,400 crore. And that we should be able to sort of definitely meet through our EBITDA forecast for this year as well as growth in EBITDA over the coming years.

**Vivek Lodariya:** Okay.

**Moderator:** Our next question comes from the line of Vikas Ahuja from Antique.

**Vikas Ahuja:** My question is just going back to this Flurys plan we have for FY25-26. Now we are calling for 40 new openings versus 50 last quarter. So, this is net of the closures? Or this is the number we are going to add and if there are like, let's say, 5, 6 closures during the year, so the net number would be 33, 34? Because if I look at first 4, 4.5 months, we have added only 2. So, just trying to figure out how we will achieve this target?

**Vijay Dewan:** No. So, this number is going to be the net number. It is not a gross number. So, stores are already being identified, work is going on, and the work is progressing as per plan. As far as the setting of the commissary is concerned at Delhi, and we should be on course to deliver a number. And it is going to be a net number.

**Vikas Ahuja:** Yes. So, just to clarify, in the next 8 months, we are going to add on a net basis, 38 more to reach 140 as a total number?

**Vijay Dewan:** Yes.

**Vikas Ahuja:** Thanks, this is helpful. And secondly, we have added in terms of our development pipeline for lease hotels now, we are talking about 441 keys. So, can you explain this increase, where we are kind of adding, sorry, if I have missed it in the presentation.

**Vijay Dewan:** So, we are actually going to add during the course of this year, 589 keys, out of which 411 are going to be on the asset-light side of the model. 147 keys are coming in the lease model, and 31 keys are coming in Cochin on the ownership side of the business. These properties are opening in Patna, Goa.

Total 589 keys are opening in Patna, Goa. Goa, in fact, 3 properties are going to open. Dharamsala, Manali, Shimla, another property in Calcutta, which is other than the properties we have. We have Katra in J&K, Gangtok, Malabar. Malabar is going to be the ownership property. Darjeeling, Lucknow, Jim Corbett, and Gangtok. Gangtok is actually going to see 2 properties, 1 opening in quarter 3 and 1 opening in quarter 4.

So, a total of 14 hotels are going to open with 589 keys. And we still have time to sign more keys in the remaining part of the year. So, that is why I said that we should be able to open close to or above 600 keys during the course of the year.

- Vikas Ahuja:** Okay.
- Moderator:** Our next question comes from the line of Raman KV from Sequent Investments.
- Raman KV:** I have a doubt with respect to the earlier comment. You said you will be opening around 589 keys, out of which 489 keys will be asset-light and 149 keys will be leased, right?
- Vijay Dewan:** 411.
- Raman KV:** 411 will be asset-light, 149 will be lease model?
- Vijay Dewan:** 147 is leased and 31 is ownership. That makes it 589.
- Raman KV:** Yes. My second question is with respect to the acquisition. You have acquired Zillion Hotels, a 90% stake, which has a hotel in Bombay with 80 rooms. So, I just wanted to understand what's the revenue potential, - and how much revenue the hotel did in FY25?
- Vijay Dewan:** So, firstly, this deal we have signed binding MOU for the acquisition of Zillion Hotels & Resorts. Currently, it is 60 service apartments, not residences. This will be converted into a 80-room, super luxury, boutique hotel. It will have 80 rooms and suites, and it will have, of course, a rooftop bar and restaurant, and an all-day dining restaurant, this is how the plan is for Zillion.
- Currently, we are acquiring 90% stake for INR 206 crore. And we plan to spend about INR 60-odd crore for the refurbishment and development, and renovation of this hotel. So, as we acquire this hotel, as it comes to us in the month of August or beginning of September, then we start the process of renovation, and we should be able to deliver this hotel to all of us by H2 of next year.
- Our stabilized year of forecast for this property, that is not next year, the year after that would be somewhere around INR 60 crore and giving EBITDA margin of anywhere between INR 24 crore to INR 28 crore in the stabilized year of operation.
- I do expect this property to give somewhere around INR 20 crore to INR 25 crore next year and add about INR 6 crore to INR 7 crore to the bottom line in the first 6 months. And I would consider 27-28 to have stable performance for this property. It will open certainly next year, and it will have a strong opening, but it should stabilize in 27-28.
- Raman KV:** So, my understanding is that INR 60 crore, once you are done converting this property into a luxury hotel, you will get an additional INR 60 crore of revenue with a 24% margin? That will be in FY28?

- Vijay Dewan:** No, no. I am not saying 24% margin with INR 60 crore. I should be able to get roughly about 40% to 50% margin, yes, INR 24 crore to INR 28 crore would be my EBITDA to start with. And then, of course, as we move forward, this is a high ARR market. The current ARRs in the market are in the range of INR 18,000 to INR 20,000 and there is no reason we will not be able to achieve those ARRs. And in fact, with the positioning we will take, we should be able to actually command a much higher premium.
- Raman KV:** So, the peak revenue potential is INR 60 crore?
- Vijay Dewan:** No, no. The revenue potential of the property would be not less than INR 80 crore at current market trends of INR 18,000 to INR 20,000 ARR. And then, of course, don't forget that we run one of the best bars and night clubs in the country. We do the maximum business in terms of F&B. We do not expect the revenues, in fact, to be less than INR 10 crore on the rooftop bar. In fact, it could surprise everyone by doing more than INR 12 crore. And in terms of the restaurant itself and conference facility, it will have limited conference facility, we should be able to add another INR 10 crore. So, all in all, the property will have a potential on the F&B side as well. So, as a result of that, the overall potential should be around INR 80 crore to begin with, and of course, then it will move on with organic growth.
- Raman KV:** And with respect to the second acquisition, one is the Malabar House at Fort Kochi and another one is the Purity at Lake Vembanad. In the presentation, it's mentioned that the total cost of acquisition is INR 62 crore. Is it inclusive of both Purity as well as Malabar House, or only for Purity?
- Vijay Dewan:** It is for both the properties, and this is a very high-end luxury resort hotels, they are part of the Relais & Chateaux Group, which is the marketing Company and which is highly prestigious in the hospitality business to be part of the Relais & Chateaux, which is the elite luxury group. This property, the Malabar is already Relais & Chateaux Hotel. In fact, our hotel in Patiala, the Ran Baas The Palace is also a Relais & Chateaux Hotel, which automatically guarantees very, very high ARRs from their own booking engine, and also provide for a very high positioning of the property in the upper luxury segment.
- Raman KV:** Yes, also coming to that point, my understanding is this will add around 31 keys by second half of this year or next year? And what's the peak revenue you are expecting from this acquisition?
- Atul Khosla:** This year, the peak revenue expected once stabilized after the takeover, which could be next year, or the next few years is expected to be around INR 20 crore.
- Raman KV:** INR 20 crore next year, so INR 10 crore this year, right?
- Atul Khosla:** INR 10 crore may not come this year as in the takeover year the focus is mainly on stabilization. This year it could be INR 8 crore.

- Vijay Dewan:** So, adding back to this, all this which is coming up the 600 rooms, which includes 31 rooms at Cochin, the stabilization of our Palace hotels, we are very confident that the guidance, which we have given we should be able to achieve.
- Raman KV:** And just a follow-up on this. You said this is a very luxury hotel. So, even this has a higher EBITDA margin of about 40%, 50%. So, this acquisition will also help in driving our consolidated EBITDA margin, right?
- Vijay Dewan:** Correct. Absolutely correct. The Palace Hotels as well as these 2 hotels in Cochin are going to significantly add to the EBITDA margin, this year as well as we go along, 40% to 50%, yes.
- Raman KV:** And how are we funding this INR 300 crore worth acquisition, like including both the acquisitions?
- Atul Khosla:** We have just explained that. In our 5 year plan, we have got Pune and Mumbai. Pune is 200 rooms. This year, we have about INR 300 crore requirement, and our current mutual fund balance is about INR 70 crore. Second, we are also going to have the balance, with expected turnover increase to INR 250 crore plus. So, that is the current EBITDA.
- So, given this and the existing limits of the Bank, we have about INR 25 crore pending. So, we can easily fund it from these sources. This includes INR 70 crore from the mutual fund, INR 30 crore from available loan balance plus a possible combination of mutual fund and loan. But net debt will remain positive.
- Raman KV:** So, my understanding is you won't exceed INR 100 crore net additional debt, right?
- Atul Khosla:** When you say standalone, yes, we will not exceed INR 100 crore net debt, but I am saying net debt will still remain positive. Net debt is zero, post mutual funds.
- Raman KV:** Okay, thank you.
- Moderator:** Our next question comes from the line of Sarthak Awasthi from Sea Funds India Pvt. Ltd.
- Sarthak Awasthi:** Congratulations on a great set of numbers. My question is on the Flurys part. So, my question is about margin sustainability for Flurys. The competition is also adding stores, and some e-commerce players have also started their own cafes. So, how are we going to sustain margins? I get it, we will get the topline growth, but how are we going to sustain the margins and how will we come up against this competition?
- Vijay Dewan:** So, Flurys, firstly is in a very, very unique position. It is a combination of coffee, confection, and celebration, which is a very unique positioning for Flurys. It has a very long heritage. It completes 100 years in 2027. So, it is

one of the most powerful brands in India in terms of its position at the moment.

So, the brand itself should be able to have a very strong pull in achieving firstly, the topline growth. And there is no substitute in the world in terms of business to topline growth, that itself will lead to our forecasted EBITDA margins, which are in the range of around 15%.

Yes, there is competition, but Flurys is a very, very powerful Indian brand. Yes, it should be able to compete with all the international brands which are coming. Don't forget that at this point of time, now as well as over the next 5 years our per capita income is increasing from about close to \$2,900 right now to about \$5,800 over the next 5 years. And that will obviously have an impact in terms of per capita spend, which will substantially increase.

Also, India is today almost 60% of our population is in the millennial and Gen Z categories. So, the habits are completely changing. It's moving all towards coffee and also towards going out and meeting out and companionship. So, all this is going to drive the business.

Also, the confectionery and coffee business, these business, particularly the cakes and confectionery and bakery business is among the fastest-growing business in the retail segment.

And this business is growing very rapidly at the rate of 18% to 20%. Currently, itself, this business is in the range of INR 18,000 crore to INR 20,000 crore, and it's expected to double over the next 5 years. So, all this competition would be there, but India is a very, very large market. India, also a very young market. And with changing habits, we should be able to grow faster and also protect and deliver higher margins.

**Sarthak Awasthi:** Thanks, that was very helpful. My second question is, - on what percentage of repeat customers does Flurys have? I mean if you can give any sort of example of that aspect.

**Vijay Dewan:** I would not have the exact data for Flurys in terms of repeat customers. Yes, it is very high in Calcutta. I would source this data for you and give it to you.

**Sarthak Awasthi:** Okay, thank you so much.

**Moderator:** Our next question comes from the line of Divyam Doshi from Family Office.

**Divyam Doshi:** How do margins compare between your owned, leased and managed portfolios? And where do you see the fastest growth coming from?

**Atul Khosla:** The fastest growth always comes from the owned properties. As we add new properties, in the luxury segment, such as the Juhu property and Kochi property, and the EM Bypass, Pune and Vizag. We have given ARR which are very high. So, they take you to the next level of ARR and also justify how

we are going to shift ARR from the upper upscale segment to the luxury segment, which will give a substantial margin.

In terms of leased properties, ARRs will be in the range of around INR 4,500 to INR 5,000. But here, for these 4 leased properties, we expect stabilized revenue next year, roughly about INR 20 crore on which we would expect minimum 40% to 50% GOP level. EBITDA margin will be roughly 20% to 30% net of lease rentals. So, that's there.

In terms of management contracts, all these properties will give roughly INR 60 crore to INR 70 crore in topline revenue, after which about 5.5% to 6% will be management fees of which about 70% will flow through to the EBITDA margin.

**Divyam Doshi:** And could you detail the capital allocation priorities for FY26 and FY27, given the ongoing acquisitions, renovations, and development pipeline?

**Atul Khosla:** Yes. So, for the current year, estimates are around INR 300 crore, with roughly INR 160 crore towards the Juhu property, INR 300 crore this year, INR 300 crore roughly next year. INR 600 crore will be going towards the Juhu property, which will be about INR 206 crore, and around about INR 60 crore towards the acquisition. We also estimate INR 50 crore for the EM Bypass, and Vizag. Pune will be INR 75 crore. Then Kochi will need INR 60 crore. In EM Bypass, we will also have net cash inflow of about INR 140 crore next year, so, that will be subtracted.

By that time, we also have a CAPEX target for properties, with average refurbishment of INR 50 crore annually, INR 100 crore over two years, and Flurys will be about INR 70-80 crore. So, in that way, now you can say that the INR 600 crore figure I mentioned earlier is the breakup I have just given.

Now funding comes through EBITDA, even if I take last year or current year expected target, it will be more than INR 500 crore to INR 550 crore is the EBITDA, INR 560 crore is round about EBITDA. So, it's covered through that.

My current mutual fund balance is INR 70 crore, lines of credit for short-term available is also INR 25 crore, taking the total to INR 100 crore. If required, we may take some short-term lines of credit, hedged against EBITDA of roughly INR 250 crore. And next year, if I add, it will be around another 20% addition on that. So, we are comfortably hedged through EBITDA, but if growth is accelerated, we may push up the growth some line of credit.

**Divyam Doshi:** Thank you so much.

**Moderator:** Our next question comes from the line of Anil Kumar Sharma, an investor.

**Anil Kumar Sharma:** Congrats on a good set of numbers. My question is, as you are saying, 200 Flurys will be there by the end of next year. So, after 200, what will be our

net profit margin? What do you expect from those numbers after 200 outlets are stabilized?

**Vijay Dewan:** We expect the margins to be always in the range of 12% to 15%, because this is considered to be leading margin. And we are all the time working to give to our shareholders, leading margins in this business. So, as we said that we are going to stabilize the Flurys business for each outlet, our goal is that each outlet must deliver a minimum of INR 1 crore. And we are working towards this. Last year, we had roughly about INR 64 lakhs, so we plan to take it midway during this course of this year. And that by next year, we should be able to deliver INR 1 crore per store. So, INR 200 crore, we should be able to give 12% to 15% on the EBITDA margin.

**Anil Kumar Sharma:** EBITDA margin, right?

**Vijay Dewan:** Yes.

**Anil Kumar Sharma:** Thank you.

**Moderator:** As there are no further questions, I now hand the conference over to the management for closing comments.

**Vijay Dewan:** So, thank you so much. I would like to thank everyone for attending this call and for showing interest in Apeejay Surrendra Park Hotels, I hope we have been able to answer all your questions. Should you need any further clarification, would like to know more about the company, please feel free to reach out to us or to CDR India.

**Moderator:** On behalf of Apeejay Surrendra Park Hotels Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

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